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**HOSPITAL SERVICE DISTRICT NO. 2  
PARISH OF ST. MARY  
Morgan City, LA**

**FINANCIAL REPORT  
For the Year Ended  
December 31, 2006**

Under provisions of state law, this report is a public document. A copy of the report has been submitted to the entity and other appropriate public officials. The report is available for public inspection at the Baton Rouge office of the Legislative Auditor and, where appropriate, at the office of the parish clerk of court.

Release Date 7/11/07

**HOSPITAL SERVICE DISTRICT NO. 2  
PARISH OF ST. MARY  
Morgan City, Louisiana**

**Financial Report**

**Year Ended December 31, 2006**

## TABLE OF CONTENTS

	<u>Page</u>
INDEPENDENT ACCOUNTANTS' REPORT	1
FINANCIAL STATEMENTS	
Statement of net assets	2
Statement of revenues, expenses and changes in fund net assets	3
Statement of cash flows	4
Notes to financial statements	5-9

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MEMBERS:

AMERICAN INSTITUTE OF  
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SOCIETY OF LOUISIANA  
CERTIFIED PUBLIC ACCOUNTANTS

## INDEPENDENT ACCOUNTANT'S REPORT

To the Board of Commissioners  
Hospital Service District No. 2  
Parish of St. Mary  
Morgan City, Louisiana

We have compiled the accompanying statement of net assets of Hospital Service District No. 2, Parish of St. Mary, as of December 31, 2006, and the related statements of revenues, expenses and changes in fund net assets and cash flows for the year then ended in accordance with Statements on Standards for Accounting and Review Services issued by the American Institute of Certified Public Accountants.

A compilation is limited to presenting in the form of financial statements information that is the representation of management. We have not audited or reviewed the accompanying financial statements and, accordingly, do not express an opinion or any other form of assurance on them.



Adams & Johnson,  
Certified Public Accountants

Patterson, Louisiana  
June 13, 2007

## **FINANCIAL STATEMENTS**

HOSPITAL SERVICE DISTRICT NO. 2  
PARISH OF ST. MARY  
Morgan City, Louisiana

Statement of Net Assets  
December 31, 2006

ASSETS

Current assets

Cash and interest-bearing deposits	\$ 8,566
Investments	1,441,332
Receivables	
Rent	100,000
Interest	9,973
Prepaid expenses	24,064
Total current assets	<u>\$ 1,583,935</u>

Restricted assets

Cash and interest-bearing deposits	\$ 467
Investments	697,698
Total restricted assets	<u>698,165</u>

Total assets \$ 2,282,100

LIABILITIES

Current liabilities:	\$ -
Total Liabilities	<u>\$ -</u>

NET ASSETS

Restricted for plant replacement and other	\$ 698,165
Unrestricted	<u>1,583,935</u>
Total net assets	<u>2,282,100</u>

TOTAL LIABILITIES AND NET ASSETS \$ 2,282,100

See accompanying notes and accountant's report.

HOSPITAL SERVICE DISTRICT NO. 2  
PARISH OF ST. MARY  
Morgan City, Louisiana

Statement of Revenues, Expenses and Changes in Fund Net Assets  
Year Ended December 31, 2006

Revenues	
Property rental	\$ 100,000
Expenses	
Advertising	\$ 1,067
Insurance	9,120
Board per diem	4,120
Accounting	3,090
Legal and professional	<u>34,454</u>
Total expenditures	<u>51,851</u>
Income from operations	\$ 48,149
Nonoperating income (expense)	
Investment earnings	<u>\$ 66,719</u>
Total nonoperating income	<u>66,719</u>
Net income	\$ 114,868
Net assets, beginning	<u>2,167,232</u>
Net assets, ending	<u><u>\$ 2,282,100</u></u>

See accompanying notes and accountant's report.

HOSPITAL SERVICE DISTRICT NO. 2  
PARISH OF ST. MARY  
Morgan City, Louisiana

Statements of Cash Flows  
Year Ended December 31, 2006

OPERATING ACTIVITIES:

Paid to suppliers	\$ (51,308)
Net cash used by operating activities	<u>\$ (51,308)</u>

NON-CAPITAL FINANCING ACTIVITIES:

Payments on indigent care	\$ (187,500)
Net cash used by non-capital financing activities	<u>(187,500)</u>

INVESTING ACTIVITIES:

Securities purchased	\$ (2,592,976)
Securities redeemed/matured	2,401,420
Investment income	69,561
Net cash provided by investing activities	<u>(121,995)</u>

Net increase in cash	\$ (360,803)
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Cash and cash equivalents, beginning	<u>369,836</u>
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Cash and cash equivalents, ending	<u><u>\$ 9,033</u></u>
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Reconciliation of income from operations to net cash  
provided by operating activities:

Income from operations	\$ 48,149
Adjustments to reconcile increase in net assets to net cash provided by operating activities - (Increase) or decrease in:	
Rent receivable	(100,000)
Prepaid insurance	543

Net cash used in operating activities	<u><u>\$ (51,308)</u></u>
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See accompanying notes and accountant's report.



HOSPITAL SERVICE DISTRICT NO. 2  
PARISH OF ST. MARY  
Morgan City, Louisiana

Notes of Financial Statements

1. Description of Governmental Entity

Hospital Service District No. 2, Parish of St. Mary (hereafter "District") was created by ordinance No. 420 of the Police Jury of St. Mary Parish (predecessor of the St. Mary Parish Government) to operate, control, and manage matters concerning the health care of citizens in the eastern portion of St. Mary Parish.

The District is governed by a board of commissioners, not to exceed seven members, appointed by the St. Mary Parish Council.

The financial statements of the District have been prepared in conformity with accounting principles generally accepted in the United States of America (GAAP) as applied to governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles.

2. Operation and Control

Effective December 1, 2001, the District executed a lease agreement which leased, for a period of 40 years, substantially all of the assets of the District to Province Healthcare Corporation (Province). Commitments, contracts, leases and agreements relating to assets and all licenses and permits to the extent assignable were included in the lease. Province also assumed certain District liabilities.

Province began operating the facility as Teche Regional Medical Center (Medical Center) on December 1, 2001. Province assumed the responsibility and liability for patient care on that date and also retained a majority of the District's employees.

At closing on December 6, 2001, a one-time lease payment of \$11,212,208 was made by Province. Province wire transferred \$7,171,762 to the National Oceanic and Atmospheric Administration to repay the outstanding principal and accrued interest on the District's Revenue Refunding Bonds, Series 2000, \$40,446 to the title company for title insurance and \$4,000,000 to the District. Province will also pay additional rent to the District on or before each annual anniversary date during the lease term equal to (a) \$50,000 if the net income of the Medical Center is between \$50,000 and \$1,000,000 or (b) \$100,000 if the net income of the Medical Center is \$1,000,000 or greater. Additional rent is not required should the net income of the Medical Center not exceed \$50,000. Province has also committed to expand a minimum of \$8,000,000 in permanent improvements, repairs and renovations to the facility during the first eighteen months of the lease term. For the four years following the close of the Lease Agreement, the District will pay to Province, on a quarterly basis, up to \$750,000 per year for the expense of providing "uncompensated care" to non Medicare, Medicaid, managed care or private insurance patients and as of December 31, 2006 this debt has been paid in full. During the year ended December 31, 2006 Province Healthcare Corporation made an assignment of their lease agreement with Teche Regional Medical Center to Life Point Hospital Inc.

### 3. Summary of Significant Accounting Policies

The more significant of the District's accounting policies are described below.

#### A. Reporting Entity

As the governing authority of the parish, for reporting purposes, the St. Mary Parish Government is the financial reporting entity for St. Mary Parish. The financial reporting entity consists of (a) the primary government (parish council), (b) organizations for which the primary government is financially accountable, and (c) other organizations for which nature and significance of their relationship with the primary government are such that exclusion would cause the reporting entity's financial statements to be misleading or incomplete.

Governmental Accounting Standards Board Statement No. 14 established criteria for determining which component units should be considered part of the St. Mary Parish Government for financial reporting purposes. The basic criterion for including a potential component unit within the reporting entity is financial accountability. The GASB has set forth criteria to be considered in determining financial accountability. This criteria includes:

Appointing a voting majority of an organization's governing body, and the ability of the parish council to impose its will on that organization.

The potential for the organization to provide specific financial benefits to or impose specific financial burdens on the parish council.

Organizations for which the parish council does not appoint a voting majority but are fiscally dependent on the Government.

Organizations for which the reporting entity financial statements would be misleading if data of the organization is not included because of the nature or significance of the relationship.

Because the parish council appoints the District's governing body, Hospital Service District No. 2, Parish of St. Mary was determined to be a component unit of the St. Mary Parish Government, the financial reporting entity. The accompanying component unit financial statements present information only on the funds maintained by the District and do not present information on the parish council, the general government services provided by the governmental unit, or the other governmental units that comprise the financial reporting entity.

#### B. Fund Accounting

The District is organized and operated on a fund basis whereby a self-balancing set of accounts (Enterprise Fund) is maintained that comprises its assets, liabilities, fund equity, revenues, and expenses. The operations are financed and operated in a manner similar to a private business enterprise, where (a) the intent of the governing body is that the cost (expense, including depreciation) of providing services on a continuing basis be financed or recovered primarily through user charges, or (b) where the governing body has decided the periodic determination of revenues earned, expenses incurred, and/or net income is appropriate for capital maintenance, public policy, management control, accountability, or other purposes.

C. Basis of Accounting

The accounting and financial reporting treatment applied to a fund is determined by its measurement focus. The Enterprise Fund is accounted for on a flow of economic resources measurement focus and a determination of net income and capital maintenance. With this measurement focus, all assets and all liabilities associated with the operation of this fund is included on the balance sheet. The Enterprise Fund uses the accrual basis of accounting. Revenues are recognized when earned and expenses are recognized at the time liabilities are incurred.

D. Cash and Cash Equivalents

Cash includes amounts in demand deposits and interest bearing demand deposits. Cash equivalents include amounts in time deposits having a maturity of three months or less when purchased. Under state law, the district may deposit funds in demand deposits, interest-bearing demand deposits, or time deposits with state banks organized under Louisiana law or any other state of the United States, or the laws of the United States.

E. Investments

Investments in equity securities with readily determinable fair values and all investments in debt securities, including those whose use is restricted, are reported at fair values based upon quoted market values with gains and losses included in the statement of revenues and expenses.

Investment earnings include interest and dividend income, realized gains and losses, and unrealized gains and losses. Realized gains and losses are determined using the specific identification method. Investment earnings are reported as a component of non-operating income.

F. Prepaid Expenses

The District records prepayments, such as insurance, as an asset on the balance sheet and systematically recognizes an expense ratably over the term of the prepayment.

G. Restricted Assets

The District has restricted assets for future facility and equipment repairs and replacements.

H. Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

i. Accounting Standards

Pursuant to Government Accounting Standards Board (GASB) Statement No. 20, Accounting and Financial Reporting for Proprietary Funds and Other Governmental Entities That Use Proprietary Fund Accounting, the District has elected to apply the provisions of all relevant pronouncements of the Financial Accounting Standards Board (FASB), including those issued after November 30, 1989, that do not conflict with or contradict GASB pronouncements.

4. Cash and Interest-bearing Deposits

Under state law, the District may deposit funds within a fiscal agent bank organized under the laws of the State of Louisiana, the laws of any other state in the Union, or the laws of the United States. The District may invest in certificates and time deposits of state banks organized under Louisiana law and national banks having principal offices in Louisiana. At December 31, 2006 the District had cash and interest-bearing deposits (book balances) totaling \$9,033.

5. Investments

The District can invest in direct debt securities of the United States unless such an investment is expressly prohibited by law. The District's investments are categorized to give an indication of the level of risk assumed by it at year-end. Category 1 includes investments that are insured or registered or for which the securities are held by the District or its agent in the District's name. Category 2 includes uninsured and unregistered investments with securities held by the counterparty's trust department or agent in the District's name. Category 3 includes uninsured and unregistered investments with securities held by the counterparty, or by its trust department or agent, but not in the District's name.

All securities held at December 31, 2006, were insured or registered and held by the District's agent in the District's name (Category 1).

The District's investments carried at fair value as of December 31, 2006 are:

<u>Description</u>	<u>Approximate Fair Value</u>
U.S. Government Securities	<u>\$ 2,139,030</u>
Total	<u>\$ 2,139,030</u>

6. Compensation of Board Members

The schedule of compensation paid to the board of commissioners is presented in compliance with House Concurrent Resolution No. 54 of the 1979 Session of the Louisiana Legislature. Louisiana Revised Statute 46:1053(C)(2)(a) limits compensation paid to board members, with the approval of the parish governing authority, for attendance at meetings of the District, in an amount of not less than twenty-five dollars nor more than forty dollars, not to exceed twenty-four meetings per year.

Melvin Bourgeois, M.D.	\$ 640
James Broussard	480
Lea Hartman Hebert	480
Sharon Howell	560
William McCarty	600
Donald Stephens	680
Y. George Ramirez	<u>680</u>
Total	<u>\$ 4,120</u>